

## Credit repair

### Save your time and money by knowing the signs of a scam

You see credit repair service offerings in newspapers, mail flyers, on TV or the Internet, and hear them on the radio or phone calls. Many make the same claims:

**“Credit problems? No problem!”**

**“We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!”**

**“We can erase your bad credit – 100% guaranteed.”**

**“Legally create a new credit identity.”**

The fact is there is no quick fix for creditworthiness. You can improve your credit report legitimately. It takes time, a conscious effort, and sticking to a personal debt repayment plan.

### Recognizing a credit repair scam

Every day companies target consumers who have poor credit histories with promises to clean up their credit report so they can get a car loan, a home mortgage,

insurance, or even a job once they pay the company a fee for the service. The truth is these companies cannot deliver an improved credit report for you using the tactics they promote. No one can legally remove accurate negative information from your credit report. So after you pay them hundreds or thousands of dollars in fees, you are left with the same credit report and someone else has your money.

Here is how to tell if the company behind a credit repair offer it is up to no good:

- The company wants you to pay for credit repair services before they provide any services. Under the Credit Repair Organizations Act, credit repair companies cannot require you to pay until they have completed the services they have promised.
- The company does not tell you your rights and what you can do for yourself for free.
- The company recommends that you do not contact any of the three major national credit reporting companies directly.
- The company tells you they can get rid of most or all the

negative credit information in your credit report, even if that information is accurate and current.

- The company suggests that you try to invent a “new” credit identity – and then, a new credit report – by applying for an Employer Identification Number to use instead of your Social Security number.
- The company advises you to dispute all the information in your credit report, regardless of its accuracy or timeliness.

You may find yourself in legal trouble if you follow illegal advice and commit fraud. It is a federal crime to lie on a loan or credit application, to misrepresent your Social Security number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses.

You could be charged and prosecuted for mail or wire fraud if you use the mail, telephone, or Internet to apply for credit and provide false information.

### Your rights regarding credit repair

No one can legally remove accurate and timely negative

information from a credit report. The law allows you to ask for an investigation of information in your credit file that you dispute as inaccurate or incomplete at no charge.

Some people hire a company to investigate on their behalf, but anything a credit repair clinic can do legally, you can do for yourself at little or no cost. According to the Fair Credit Reporting Act (FCRA):

- You are entitled to a free report if a company takes “adverse action” against you, like denying your application for credit, insurance, or employment. You have to ask for your report within 60 days of receiving notice of the action.

The notice will give you the name, address, and phone number of the consumer reporting company. You are also entitled to one free report a year if you are unemployed and plan to look for a job within 60 days; if you are on welfare; or if your report is inaccurate because of fraud, including identity theft.

- Each of the nationwide consumer reporting companies – Equifax, Experian, and TransUnion – is required to provide you with a free copy of your credit report once every 12 months, if you request it.

To order your free report:

- go to [annualcreditreport.com](http://annualcreditreport.com),
- or call 1-877-322-8228,
- or complete the attached

## Annual Credit Report Request Form

and mail it to:

Annual Credit Report  
Request Service  
P.O. Box 105281  
Atlanta, GA 30348-5281

You may order reports from all three consumer reporting companies at the same time or you can stagger your requests. By staggering your ordering – one from a different company every four months – you can monitor your file more frequently. Keep track of the dates you requested a free credit report from each company. A fee may be charged for re-ordering more than one report from the same reporting company in less than a 12-month period.

Do not contact the three nationwide consumer reporting companies directly or use other providers of credit reports to obtain your free report. You may end up paying for a report when another method is used outside of the FCRA contacts provided above. If the report is free you could find yourself paying for additional services outside of the report itself.

- Information on how to dispute mistakes or outdated items at no charge is found on your credit report. Under the FCRA, both the consumer reporting company and the information provider (that is, the person, company, or organization that provides information about you to a consumer reporting company) are responsible for correcting inaccurate or

incomplete information in your report.

To take advantage of all your rights under the FCRA, contact the consumer reporting company and the information provider.

## Helping yourself

**Step 1:** Tell the consumer reporting company, in writing, what information you think is inaccurate. Include copies (NOT originals) of any documents that support your position. In addition to providing your complete name and address, your letter should identify each item in your report you dispute; state the facts and the reasons you dispute the information, and ask that it be removed or corrected.

You may want to enclose a copy of your report, and circle the items in question. Send your letter by certified mail, “return receipt requested,” so you can document that the consumer reporting company received it. Keep copies of your dispute letter and enclosures. A sample dispute letter has been included.

Consumer reporting companies must investigate the items you question within 30 days – unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information.

After the information provider receives notice of a dispute from the consumer reporting company, it is required to investigate, review the relevant information, and report the results back to the consumer reporting company.

If this investigation reveals that the disputed information is inaccurate, the information provider has to notify the nationwide consumer reporting companies so they can correct it in your file.

When the investigation is complete, the consumer reporting company must give you the results in writing and a free copy of your report if the dispute results in a change. If an item is changed or deleted, the consumer reporting company is not permitted to put the disputed information back in your file unless the information provider verifies that it is accurate and complete.

The consumer reporting company also must send you written notice that includes the name, address, and phone number of the information provider. If you ask, the consumer reporting company must send notices of any correction to anyone who received your report in the past six months.

You also can ask that a corrected copy of your report be sent to anyone who received a copy during the past two years for employment purposes.

If an investigation does not resolve your dispute with the consumer reporting company, you can ask that a statement of the dispute be included in your file and in future reports.

You also can ask the consumer reporting company to provide your statement to anyone who received a copy of your report in

the recent past. You can expect to pay for this service.

**Step 2:** Tell the creditor or other information provider, in writing, that you dispute an item. Be sure to include copies (NOT originals) of documents that support your position. Many providers specify an address for disputes.

If the provider reports the item to a consumer reporting company, it must include a notice of your dispute. And if you are correct – that is, if the information is found to be inaccurate – the information provider may not report it again.

## **Reporting accurate negative information**

When negative information in your report is accurate, only the passage of time can assure its removal. A consumer reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years.

Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. To calculate the seven-year reporting period, start from the date the event took place.

There is no time limit on reporting information about criminal convictions; information reported in response to your application for a job that pays more than \$75,000 a year; and information reported because you have applied for more than \$150,000 worth of credit or life insurance.

## **The Credit Repair Organizations Act**

According to federal Credit Repair Organization Act, credit repair organizations must give you a written contract that spells out your rights and obligations. Read these documents before you sign anything.

A credit repair company cannot:

- make false claims about their services.
- charge you until they have completed the promised services.
- perform any services until they have your signature on a written contract and have completed a three-day waiting period. During this time, you can cancel the contract without paying any fees.

Be sure the contract specifies:

- the payment terms for services, including the total cost.
- a detailed description of the services the company will perform.
- how long it will take to achieve the result.
- any guarantees the company offers.
- the company's name and business address.

## **If you need help**

Just because you have a poor credit report does not mean you cannot get credit. Creditors set their own standards, and not all look at your credit history the same way.

Some may look only at recent years to evaluate you for credit, and they may give you credit if your bill-paying history has improved. It may be worthwhile to contact creditors informally to discuss their credit standards.

If you are unable to create a workable budget and stick to it, to work out a repayment plan with your creditors, or to keep track of your mounting bills, you might consider contacting a credit counseling organization.

Many credit counseling organizations are nonprofit and work with you to solve your financial problems. But remember that “nonprofit” status does not guarantee free, affordable, or even legitimate services.

In fact, some credit counseling organizations – even some that claim non-profit status – may charge high fees or hide their fees by pressuring consumers to make “voluntary” contributions that only cause more debt.

Most credit counselors offer services through local offices, the Internet, or on the telephone. If possible, find an organization that offers in-person counseling. Many universities, military bases, credit unions, housing authorities, and branches of the U.S. Cooperative Extension Service operate nonprofit credit counseling programs.

Your financial institution, local consumer protection agency, and friends and family also may be good sources of information and referrals.

If you are considering filing for bankruptcy, be aware that bankruptcy laws require that you get credit counseling from a government-approved organization within six months before you file for bankruptcy relief.

You can find a state-by-state list of government-approved organizations on the website of the U.S. Trustee Program at [www.usdoj.gov/ust](http://www.usdoj.gov/ust). That is the organization within the U.S. Department of Justice that supervises bankruptcy cases and trustees.

Be wary of credit counseling organizations that say they are government-approved, but do not appear on the list of approved organizations.

Reputable credit counseling organizations can advise you on managing your money and debts, help you develop a budget, and offer free educational materials and workshops. Their counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting. Counselors discuss your entire financial situation with you, and can help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.

### **Do-it-yourself check-up**

Regardless of your credit history, financial advisors and consumer advocates recommend reviewing your credit report periodically for three important reasons:

1. The information in your credit report affects whether you can get a loan or insurance – and how much you will have to pay for it.
2. It is important to make sure the information is accurate, complete, and up-to-date before you apply for a loan for a major purchase like a house or car, buy insurance, or apply for a job.
3. It can help you deter, detect and defend against identity theft. That is when someone uses your personal information – like your name, your Social Security number, or your credit card number – to commit fraud. Identity thieves may use your information to open a new credit card account in your name. Then, when they do not pay the bills, the delinquent account is reported on your credit report. Inaccurate information like that could affect your ability to get credit, insurance, or even a job.

For more information or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

**Bureau of Consumer Protection**  
**2811 Agriculture Drive**  
**PO Box 8911**  
**Madison WI 53708-8911**

**E-MAIL:**  
**DATCPHotline@wi.gov**

**WEBSITE:** [datcp.wi.gov](http://datcp.wi.gov)

**(800) 422-7128**

**FAX: (608) 224-4677**

**TTY: (608) 224-5058**

(Information taken from the Federal Trade Commission "Credit Repair: How to Help Yourself")

## Sample Dispute Letter

Date

Your Name

Your Address

City, State, Zip Code

Complaint Department

Name of Company

Address

City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute also are encircled on the attached copy of the report I received.

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence if applicable and describe any enclosed documentation, such as payment records, court documents) supporting my position. Please investigate this (these) matter(s) and (delete or correct) the disputed item(s) as soon as possible.

Sincerely,

Your Name

Enclosures: (List what you are enclosing.)